

SPECIAL CITY COUNCIL MEETING  
JULY 28, 1992

PRESENT

Don Dafoe	Mayor
Gayle Bunker	Council Member
Alan Burraston	Council Member
Robert Droubay	Council Member
Rex Harris	Council Member

ABSENT

Robert Dekker

OTHERS PRESENT

Dorothy Jeffery	City Recorder
Richard Waddingham	City Attorney
Judy Baker	City Treasurer
James Snow	Accountant
Steve Fisher	Qualisoft

Mayor Dafoe called the meeting to order at 6:00 p.m. Dorothy Jeffery, City Recorder, acted as secretary. Mayor Dafoe stated that notice of the meeting time, place and agenda was posted at the principal office of the governing body located at 76 North 200 West and was provided to the Millard County Chronicle/Progress, and to each member of the City Council by personal delivery two days prior to the meeting.

MAYOR DON DAFOE: FY 1991-1992 AUDIT, COMPUTER PROGRAMMING,  
FY 1991-1992 BUDGET, FY 1992-1993 BUDGET

Mayor Dafoe explained that the purpose of this meeting was to discuss the audit for FY 1991-1992, Computer Programming, the budget for FY 1991-1992 and the budget for FY 1992-1993.

Mayor Dafoe explained that James C. Snow, Snow & Snow, P.C., and Steve Fisher, Qualisoft, have been reviewing Delta City's books for several days and are trying to address the problem areas. Mr. Dafoe then asked Mr. Snow to address the City Council.

James C. Snow, then presented and reviewed in detail the following letter addressed to Mayor Dafoe:

I would like to extend my sincere thanks for the cordial treatment while in the City of Delta. The staff was extremely pleasant, and

showed a genuine concern for the city. The cooperation and assistance given were outstanding.

The City has some significant problems that need to be addressed rather quickly. More time is required to judge the magnitude of each situation, but the following represents a start:

1. The Financial Software selected was NOT specifically written for Fund Accounting application. On the surface it would appear the software can be tailored, however I will advise quickly if this is not the case. I reviewed all modules presently on the system. Most seem to be working, some with minor problems. The General Ledger however has major problems that require immediate attention.

2. The absences of the previous treasurer will make account reconciliation more difficult. It's my understanding that he worked with the general ledger exclusively, to the point of not allowing anyone else access. This makes transition difficult at best, and creates suspicion among officials and fellow staff members. Since many accounts were maintained by General Journal Entry, and not automatically by the computer, the ledger gets further behind each day.

3. Reporting systems for Revenues and Expenditures have been designed improperly, or simply do not exist. The city does not employ a system for Encumbrance, therefore reliance on accurate up-to-date fund analysis information becomes critical.

4. The Special Improvements District Fund needs to be reconciled. It appears the method of payment is unconventional, and past payments may have experienced application problems. The 36 or so accounts need to be verified. Similar circumstances may exist in other funds.

5. When approached by the City of Delta initially, my response and recommendation was to enlist the help of your outside firm. I understand this recommendation was followed, however Kimball & Roberts declined involvement. This highly unusual situation will add difficulty and complexity to the

problems described above.

In summary, we have serious problems to address, and they may grow in size and complexity as we get further into the process. I would make the following suggestions and recommendations.

1. The Council and Mayor must determine a starting point. We have two basic options: (A) Start with balances as of June 30, 1991 provided by Kimball & Roberts. (B) Review previous years, to verify the proper use of Funds and prove Fund Balances. This could be from 1-8 years depending on findings. Under either option certain funds must be reviewed. As previously stated the Special Improvement District is a certain candidate, and there may be others.

2. The Council and Mayor need to select the Auditors for this current fiscal year in the next thirty days. I would recommend one of the Big Six. The Auditors of choice must be part of the "FIX PROCESS" to avoid paying double professional fees. This year's Audit may be costly, but the existing problems need to be accurately addressed.

After the Council has officially determined the starting point, and selected the audit firm we can begin with the following:

1. Verification of all beginning balances, and how they link to various accounts on the General Ledger. (Example: The General Ledger shows numerous "Cash in Bank" accounts however the staff is aware of only one Actual Bank Checking Account) This may be proper, but must be verified.

2. An in-depth review of the Accounts Payable, Payroll, Personnel, Utility Billing, and General Ledger modules for accuracy and completeness. Examine the General Ledger and make changes to adapt to Fund Accounting Applications. All modules are integrated with the general ledger, therefore a complete review of Account Linkages, and Posting Assignments is essential. Develop sound re-occurring General Journal Entry systems and documentation for entries that can not be posted by the system.

3. Re-design or design General Ledger Reporting Systems. To include but not limited to, Standard Financial Statements, Fund Balance Reports, Fund/Departmental Expenditure Reports, Budget System Reporting, and special Budget Vs Actual report for the Council.

4. Several software modules such as Fixed Assets, Purchasing, and Encumbrances are not presently being used. Will develop migration methodology, to include parallel processing, testing, documentation and personnel training.

5. Assess the staff training requirements, provide where necessary and use vendor education when available. Enhance present system and user documentation.


6. Explore a concept of Quality Control, which would entail one or two staff members becoming familiar with all components of the Automated Systems used by Delta City. This will accomplish several critical goals. (A) Provide back-up personnel to each position. (B) Establish an in-house trainer. (C) Provide answers to questions and problems that arise on a daily basis, that are presently being handled by outside professionals. (D) Provide in-house documentation on unique uses of the Automated Systems and there interface to Clerical Functions and Source Documents. This must be achieved, and meet proper Internal Control procedures.

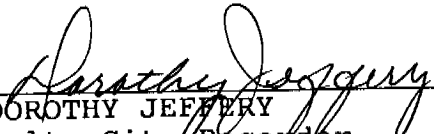
Mayor, this provides a thumb nail sketch of the problems and solutions. I have had conversations with Mr. Scott Nixon from Coopers & Lybrand. Hopefully we will be successful in setting up a meeting sometime next week. If you have any questions, please call at anytime. Again, thank you and your staff for the cooperation and assistance during my visit last week.

Following discussion of the above issues, the Council agreed to select one of the Big Six as auditors to conduct the Audit for 1992. Mr. Snow said he would contact an auditor, schedule a meeting for next week and proceed from there.

Mayor Dafoe asked if there were any comments, questions or items to be discussed. There being none, Council Member Robert Droubay MOVED to adjourn. The motion was SECONDED by Council Member Rex

Harris. Mayor Dafoe asked if there were any comments or questions regarding the motion. There being none, he called for a vote. The motion passed unanimously. Mayor Dafoe declared the meeting adjourned at 7:00 p.m.

  
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DON DAFOE, Mayor

  
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DOROTHY JEFFERY  
Delta City Recorder

MINUTES APPROVED: RCCM 8-10-92